

Youngsville ABC Board  
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**MINUTES**

**NOVEMBER 1, 2019  
9:00 AM**

**REGULAR MEETING**

**YOUNGSVILLE TOWN HALL CONFERENCE ROOM**

**134 US 1A SOUTH**

Chairman Samuel Hardwick called the Board Meeting of the Town of Youngsville ABC Board to order at 9:00am. In attendance was Chairman Samuel Hardwick, Members Mary Margaret Norman, Rick Houser, Danny Stutzman, and Todd Casado. Also, in attendance was Finance Officer Jaclyn Patterson, Town Administrator Phillip Cordeiro, ABC Store Manager Laurie Pritchett, and Town Clerk Emily Hurd.

The first item was to approve the Agenda.

**MOTION: TO APPROVE THE AGENDA AS SUBMITTED**

The motion was made by Member Norman and was seconded by Member Stutzman. The motion passed unanimously.

Chairman Hardwick read the Ethics Statement.

*In accordance with G.S. 18B-201, it is the duty of every Board Member to avoid both conflicts of interest and appearances of conflicts. Does any member have any known conflict of interest or appearance of conflict with respect to any matters coming before the Board today? If so, please identify the conflict or appearance of conflict and refrain from any undue participation in the particular matter involved.*

There were no conflicts of interest or appearances of conflicts.

The next item on the agenda was Citizens' Comments. There were no comments.

The next item on the agenda was the Financial Report. Patterson stated the audit was complete and the auditors did make some adjustments that she still needs to look at. Once she gets them entered, she will be able to close out the year.

Patterson stated that since the ABC Board Meeting was on the first day of the month, the financial report was inaccurate as the final information was not available. She will give the ABC Board updated financials when they were complete.

Patterson stated Member Houser had sent her an email concerning employee vacation accrual. She explained her understanding was the ABC Store employees followed the

Town's Personnel Policy, which includes vacation accrual. Patterson noted employees were only allowed to carry over 240 hours at the end of the year.

Member Casado stated he looked over the inventory in the audit and inquired about product theft. Patterson stated the audit did reflect theft and Pritchett noted the new reporting system will show inventory counts better. Pritchett explained they spot check inventory often. She stated there was not any one specific problem area. Patterson stated that she didn't think that would show up on the audit and Member Casado stated he wanted to know how we would know if we had a theft problem. He asked Pritchett if that was something the employees kept up with in the ABC Store and Pritchett stated yes. Pritchett stated they keep up with the inventory and if they had a problem, they would move the items behind the counter. Member Casado asked Pritchett to bring more information to the next meeting and Pritchett stated that she would bring in the new report. Member Casado stated he wanted to see how bad it was, and Pritchett stated it wasn't that bad. Pritchett noted the auditors even stated it was not as bad as other stores. Cordeiro requested that Member Casado, with his professional experience, meet with Pritchett to go over prevention measures. When asked, Pritchett explained theft depended on the product, noting it was usually just one bottle, nothing like six or seven missing. She noted the location of the mini bottles makes them harder to steal. Patterson stated they were working with the new register company to add in a report they used with the older system for a bottle report. Chairman Hardwick asked if the new registers were making things easier and Pritchett stated once they got used to them. Patterson stated the customer service with the new company was great and Pritchett agreed. Pritchett noted the president of the company came down to help fix some of the problems.

Member Houser inquired if the auditors would present the audit to the ABC Board. Hurd stated she would see about scheduling them for the December meeting. Member Houser inquired about the distributions listed in the audit. The information Member Houser was referring to was located on page 17 of the audit. Patterson explained the original budget included the \$40,000 that has always been the minimum paid to the Town. That amount was then increased based on sales since the budget needs to balance. Then the amount owed ended up being \$97,363. Member Houser felt that final distribution should have been voted on by the ABC Board. Patterson explained she based the distributions given to the Town on the Agreement, which states all extra profit goes to the Town. Cordeiro reminded the ABC Board they have voted to pay only the minimum this fiscal year and this should not happen again. Member Houser stated the ABC Board has a right to control working capital. It should be the ABC Board's decision on how much to distribute to the Town as they have the flexibility to set what their working capital is. He remembered voting on the \$69,000 Budget Amendment but does not remember voting on the higher amount. Patterson stated there was no Budget Amendment for the \$97,000 as the payment to the Town was based on the Agreement that was signed and how things have always been done before. Cordeiro stated it was too late to modify this fiscal year but now the Town is aware the ABC Board wants to keep as much working capital as possible. Member Houser stated their desire was to pay off the debt as soon as possible. Cordeiro stated he would work with Patterson. Patterson explained the differences in financial reporting for the Town and the ABC Board was confusing in certain aspects. She stated that she would work with Cordeiro on getting it corrected. Member Houser

stated there were two ways to fund working capital, including long term debt or equity. He explained their equity was how much profit they retain. Patterson explained her problem was the modified accrual and government spending and how to make it all work. It was a different system than what she is used to working with on a regular basis. Member Houser hoped that in the future the ABC Board will vote on how much to distribute to the Town over what is initially put in the budget. Patterson stated it was her understanding the ABC Board would only pay the minimum for the near future, with the rest of the profits going towards working capital. Chairman Hardwick clarified the ABC Board would have to vote on giving more than the minimum amount due. Cordeiro reminded the ABC Board they would also have to cover the costs of services, based on a reasonable amount, above the minimum payment to the Town. Member Houser noted his experience with other ABC Boards was the Town would come to the ABC Board for a particular project and he would like to accommodate the Town in situations like that. Cordeiro clarified the minimum amount due with the addition of costs, such as the Town Clerk and maintenance, added at a reasonable amount on top of the minimum profits due. Chairman Hardwick agreed with Member Houser and stated they have always thought to help the Town when possible, but they also must do the right thing for the ABC Store.

The next item on the agenda was the approval of the Consent Agenda. The Consent Agenda included Minutes from the ABC Board Meeting on October 4, 2019.

**MOTION: TO APPROVE THE CONSENT AGENDA AS SUBMITTED**

The motion was made by Member Casado and was seconded by Member Stutzman. The motion passed unanimously.

The next item on the agenda was Old Business. The first item under Old Business was to continue the discussion on the proposed remodel of the ABC Store. Member Houser noted Chase Massey, FLM, had updated the proposed plans based on the recommendations from the last ABC Board Meeting. He explained the standard master services agreements that maps out what Mr. Massey's services will cost, approximately \$7,500. Services include taking the plans through permitting and NC DOT. Member Houser asked that the plans be voted on before spending \$7,500. He stated he wanted to know how much it would cost to build the parking lot before spending \$7,500 to draw it up. Member Houser stated a proposal he received was not an official proposal and explained how bid was broken down, including mobilization and the removal of trees. He noted the bid did not include sidewalk, however, the sidewalk was estimated at \$5,000 by another contractor. Member Houser recommended sending out for quotes, but this was a rough estimate. Member Norman asked if the ABC Board was required to get more quotes and Member Houser stated they would need at least three bids. He explained he wanted to have more information before hiring Mr. Massey to do the site plan. Chairman Hardwick agreed, noting he would hate to spend \$7,500 to find out it would cost too much. Patterson noted the quote excluded a lot of items, including possible upgrades to the water basin. Chairman Hardwick was also concerned about the drainage, noting items like this will increase costs quickly. He stated that drainage has always been a problem and described how bad it was during a recent rain storm. Member Houser noted the plans were based off a drawing, not a site visit. Member Norman

wanted to know how much the ABC Board would be willing to spend. Member Houser stated the amount left on the bank loan was not enough to cover it. Member Norman stated that something needs to be done but wondered what can we afford. Chairman Hardwick stated that before spending \$7,500, they need to get pricing on everything. He asked the ABC Board if they wanted to move forward or do nothing at this time and do it all with the new building. Member Stutzman stated if they can get the information based on what they were looking for, then the list of exclusions can be included during the bid requests. He agreed the quote looked awful low. Patterson stated the ABC Board needed a general contractor that would know all the required processes with the ability to manage this project. Chairman Hardwick felt they needed to look harder at this before moving ahead. He suggested extending the delivery area but leave the parking alone until its time to start the new building. Member Norman inquired if they should look at something temporary or perhaps something that could be incorporated in with the new building. She worried about investing money into something bad. Member Casado stated the problem was they just didn't know. He inquired about previous conversations regarding moving the ABC Store to the FoodLion Plaza. Member Casado expressed concerns they would have too many cash flow problems in the current location and weren't sure of the costs to improve the situation. He felt that moving to the FoodLion Plaza would help to increase sales. Member Norman explained the costs involved were why they didn't pursue it. At the time they had looked at the FoodLion Plaza as a secondary location. Pritchett stated customers really like the current area for its convenience. Chairman Hardwick noted the ABC Store was a centerpiece for town that everyone knows. He stated they needed to improve that gateway, noting the ABC Store could be something really good. Chairman Hardwick stated the ABC Store was something that people have known for a long time. Member Norman stated people are looking for improvements. Chairman Hardwick stated they needed to get the best bang for their buck. He noted that he does look at the situation as a former mayor, with thoughts about the community. Chairman Hardwick stated people know the location and come back because they like where it is located. When asked, Chairman Hardwick stated he didn't think the neighboring property owner would sell. He stated they would eventually need a second location but feels they should concentrate here. Member Casado felt a second location would cripple the downtown store. He understood the nostalgia of the ABC Store, but the traffic created issues for some customers. Member Casado also noted it seemed like a lot of hard work to fix the problems at hand and Member Houser stated the cost of a new store would be approximately one million. Member Casado stated it was expensive and asked what the goal was and in what time frame. Member Stutzman stated it felt the ABC Board kept postponing. Chairman Hardwick noted if they can find a developer, even if they had to sell the property, they could be a partner with them. Cordeiro confirmed the ABC Board would need to sell the property then lease the facilities for the ABC Store. He explained that leasing the facilities would allow the ABC Board to relocate if they wanted to. Member Casado stated there were still vacant spots in current plazas and Member Stutzman agreed. Member Stutzman worried that adding more businesses at the intersection would create more problems when people are already complaining about getting into the ABC Store. He stated he was thinking about the money aspect. Member Stutzman noted it would be so much easier to go to the ABC Store while you were already at the grocery store. The ABC Store's ability to make money depends on it. Member Stutzman wondered if the ABC Board had wasted money on purchasing land

versus leasing, or building, near the FoodLion. He felt they were crippling themselves right now. He stated his neighbors had stopped going to the ABC Store because of the traffic problem. The traffic is a problem for a lot of customers regardless of how long they have been located in that area. He noted the ABC Store is nothing pretty and wished it could be redone like Matt Winslow did Woodlief's Supply. Member Stutzman stated now was the time to make a decision. Cordeiro noted another possibility included combining commercial with residential and felt that a developer would be interested in that combination. He stated Planning Staff could help throw that idea out to developers, such as Matt Winslow or David Williams. Cordeiro stated he can instruct Staff to see if people were interested in purchasing the property so the ABC Store can go somewhere else. Chairman Hardwick stated that purchasing the property was critical because the smaller lot was worthless without it. The combined lots are a good financial decision, especially if they wish to move forward with selling to a developer. Member Houser agreed and noted there would not have been another opportunity to increase the property. Chairman Hardwick felt the purchase was a wise investment. Member Houser noted the ABC Board did not pay more for the land than it was worth.

Chairman Hardwick asked where they went from here. Member Houser stated they should talk with Planning Staff before spending approximately \$50,000 on a parking lot they may have to tear up. There may be a compromise for additional parking on a temporary type basis. Then they can work with Mr. Massey to come up with an overall plan on what the building should look like. However, Member Houser felt the first call should be to Rick Turner to design the interior. As Mr. Turner mentioned previously, the interior design helps dictate the outside of the building. Pritchett stated she had spoken with Mr. Turner and reminded the ABC Board to get him involved before the architect as he can help save money. Member Houser stated he wouldn't mind seeing an updated feasibility study and check with the FoodLion Plaza to see about available space. He recommended a clause in the lease to state that if the FoodLion moved, then the ABC Store could get out of their lease and Member Stutzman agreed. Pritchett expressed concerns about parking at the FoodLion Plaza as the lots are almost always full, especially during the holidays. Member Norman agreed and pointed out Fiesta Mexicana takes up a lot of parking spaces. Chairman Hardwick noted they had this conversation before purchasing the lot, noting that people can stop easier, including people heading to Franklinton. He stated that was one of the reasons they had previously looked at it. Member Houser noted there would be more homes on the west side of Capital Boulevard. Member Stutzman agreed and noted how many new lots were coming into the area. Patterson expressed concerns about losing customers on the east side of town, noting they would end up going to Louisburg, or even Rolesville, instead of having to go all the way through Youngsville to get to an ABC Store on Capital Boulevard. Member Houser did not recommend closing the downtown ABC Store. Member Stutzman inquired about the feasibility of keeping the current store open. Pritchett noted an additional store required additional staff, including their own manager. Member Norman stated it wouldn't hurt to explore all the options, including investors. Chairman Hardwick stated he would prefer to investigate all options before spending a large amount of money. Member Norman stated it wouldn't hurt to improve the parking as long as the costs were reasonable, but the \$50,000 quote left too many items out. She felt they should see if there was any interest from developers.

**MOTION: TO PURSUE ALL OPTIONS**

The motion was made by Member Norman and was seconded by Member Houser. Chairman Hardwick stated he will follow up and discuss when they get all of the information. He felt all the Members of the ABC Board wanted to see a new building in some way and Member Norman agreed. Chairman Hardwick recommended getting all of the answers first so they can do this right, especially if they can find a developer that is interested in doing something with them. Member Houser stated he had two developers approach him and he will share those names with Cordeiro. Cordeiro stated he could meet with the developers individually so he can explain the situation. Chairman Hardwick stated that way if someone did purchase the land and build something, the ABC Store could rent back from them. He stated they would need a temporary location during the construction if they decided to go this route. At least it would show they are doing something. Cordeiro stated the temporary location lease could be included in the deal. Chairman Hardwick stated there were a lot of options out there. The motion passed unanimously.

The second item under Old Business was to adopt the Resolution to enter into agreement with the North Carolina Local Government Employees' Retirement System to provide death benefits. Hurd explained the former representative from LGERS had given Staff a packet of information, including Resolutions, to get started with LGERS. When sending the completed Resolutions back to LGERS, Hurd followed the checklist found online. The Resolution for Death Benefits was on that list but not included in our original packet. Hurd stated she requested the information and found the Youngsville ABC Board had been assigned another representative. As the new representative was not familiar with the Youngsville ABC Board, she sent the Resolution template. However, Hurd stated they contacted her and explained the Resolution was not a necessity, and most ABC Stores don't. The fees are based on the actuaries and they would need to review their financials. Based on her research, the representative stated the highest was .83% for ABC Stores. Hurd reiterated they did not need to have the Death Benefits and the cost was extra. Member Stutzman clarified the Death Benefit covered annual salary up to \$50,000 and Cordeiro stated that was correct. When asked, Cordeiro explained the Town uses a different insurance company for a death benefit and Hurd stated full-time ABC Store employees were included on that insurance. Cordeiro recommended tabling this matter to the next meeting and direct Staff to work with LGERS to find out the costs. It may be a better deal than the private rate.

**MOTION: TABLE THE RESOLUTION TO ENTER INTO AGREEMENT WITH THE NORTH CAROLINA LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM TO PROVIDE DEATH BENEFITS AND DIRECT STAFF TO GATHER INFORMATION ON THE COSTS**

The motion was made by Member Stutzman and was seconded by Member Norman. The motion passed unanimously.

The next item on the agenda was New Business. There was no New Business.

The next item on the agenda was Reports and Other Business.

Pritchett brought up Christmas bonuses again, noting they received Christmas bonuses years ago. Member Houser stated they would discuss this further during Closed Session.

Member Houser noted there were some proposed rule changes by the ABC Commission, and he read through them. Cordeiro pulled the information on the screen for the ABC Board to follow along.

<https://portal.abc.nc.gov//Lists/Web%20Announcements/Attachments/247/Local%20Board%20Administration%20-%20Submission%20and%20Rules.pdf>

<https://portal.abc.nc.gov/Web%20Documents/Sections/Media%20Resources/Annual%20Reports/2018%20Annual%20Report.pdf>

Member Houser stated there were a few things that sparked his interest, including the amendments to the General Statutes. These changes include working capital and personnel. He stated there was information on developing a personnel committee and how to model a handbook or procedures. Member Houser stated you can also search for annual reports. This allows for comparisons with other local and state ABC Stores, including sales projections. The annual reports also show how much taxes are paid to the State and where that money goes. Member Houser stated they were a very important steward of money for the State. Under local ABC Stores, you can view ABC Stores by the county. He noted Franklinton was projecting an increase in sales of \$250,000. With their expansion, they are projecting to increase revenues by 25%. Patterson explained how she set the budget, using conservative figures. Member Houser stated this was a good report and you can find information on what is expected of ABC Board Members on this webpage as well. Member Stutzman expressed concerns about increased traffic affecting sales.

Member Houser pointed out that Cramerton, a town comparable to Youngsville, has two ABC Stores. Even with other towns close, they are doing three million in sales with two stores. Patterson reiterated she budgets conservative. Member Houser noted Cramerton had 9% increase in sales over the prior year. He mentioned the turn over based on the numbers reported and noted the risk of running out of some items. Member Houser felt they needed to purposely build up inventory, noting the sales justify it. He stated this was the quickest way to increase the net profit. Pritchett explained ABC Stores were penalized if they had too much inventory at the end of the fiscal year in previous years. This led to managers shorting orders in June, creating sales issues for the July 4<sup>th</sup> holiday. Pritchett stated the ABC Commission discovered this was hurting sales and having a negative impact on ABC Stores. Patterson noted they also didn't get everything they ordered from the warehouse. Pritchett agreed that many stores across the state were having issues not receiving their full orders. Chairman Hardwick wanted to clarify that Pritchett was not getting the full number of items ordered and Pritchett stated that was correct. She explained they have changed the special item order rules, which makes

getting certain items easier. Patterson noted that items ordered in September still have not been received. Member Houser noted that managers during their conferences talked about different ways to keep from ABC Stores from being turned over to private enterprise. One way was to have good customer service, clean stores, available hours and inventory. They want to have a full selection so that a customer can get what they want. This is what the ABC Commission is preaching to these store managers. Patterson stated it didn't sound as if they can follow through with what they are preaching. Member Houser asked if they could go to the warehouse and find out what is going on and Pritchett stated the warehouse no longer allows for ABC Stores to pick up their own orders. Even with the problems from the warehouse, the ABC Commission continues to renew their contract. Pritchett listed several faults with the warehouse, including not having a helper on the truck for deliveries. Pritchett stated she continues to grow their inventory, including new products and requested items. However, items that sit on the shelf hurts them. Patterson noted they often run out between shipments. Pritchett noted that items they are shorted are also shorted in Bunn and Franklinton as well. Patterson stated the ABC Commission was hurting their sales. Member Casado asked if they could do a special order for the items they were shorted and pick them up. Pritchett explained that one order was short 32 cases that were supposed to be on the truck. She called the warehouse and they did come back to bring them to her. Patterson asked if they could drive to the warehouse and pick up items before the next delivery and Pritchett was unsure. Pritchett explained another announcement was just made about people going to the warehouse as it was a liability issue. Patterson wondered if there was the option to pick up missing items, to ensure the ABC Store does not run out of stock. Pritchett stated she would need to investigate that option. She explained that customers are going to the warehouse to try and pick up some of the rarer bourbons, so the warehouse has increased their restrictions. Patterson stated that she understands inventory turnover but felt there were other issues that lead to these problems. Pritchett stated they are still growing their inventory but noted that over ordering hurts inventory turnover too. She explained not being able to get their entire order hurts the mixed beverage orders as well. Pritchett noted there were items the restaurant wanted but they didn't purchase. Member Houser stated one of the things that helped the Cramerton ABC Stores was they had a lot of mixed beverage permits. Another thing they implemented was customers paying upfront for special request. Chairman Hardwick stated that was a good idea. Member Houser stated if it was truly a special order, then he felt fine with prepayment. However, if it was just a regular customer, then he wouldn't ask it of them. Pritchett reiterated they would continue to grow their inventory. Chairman Hardwick stated that once they have a bigger place, they will have more room for inventory. Pritchett stated she would install more shelving next week. Member Stutzman stated the ABC Commission website states for special orders, liquor products needed to be one or more cases and noted the cases had to be paid for in advance. Pritchett explained that was the old rule. For some reason they have not updated their website for the new rule stating a special request can be for just one bottle instead of a whole case. The new rules went into effect on September 1<sup>st</sup>. Patterson inquired how many items did people ask for that were not on the approved list and Pritchett stated there were not that many. Patterson felt customers would prepay for a special-order item if they knew it would be delivered in a reasonable amount of time, but there wasn't a guarantee of receiving the order in a timely manner. Pritchett stated that did fall on the distillery instead of the warehouse. Pritchett noted if the ABC

Commission would allow anything that is available to be bought and sold in NC would help greatly. She stated the change to the special item list was an improvement.

Member Casado inquired about the holiday hours. Pritchett stated the ABC Store closed on Christmas Eve at 6pm and they would be closed on Christmas Day and the day after Christmas. Member Norman asked if there would be any extended hours during peak season and Pritchett stated they currently do not have extended hours. Member Casado asked if they could change this year and Pritchett stated they may be able to do that next year. Patterson wanted to clarify they wouldn't have the staff this holiday season and Pritchett stated they would not. Pritchett explained that some of their part-time staff worked two jobs and won't have the time to work around it this late in the season. When asked, Pritchett stated their closing time was 7pm on weekdays and 8pm on Fridays and Saturdays. She stated they did get early sales since they are open earlier than some of the other local ABC Stores. Pritchett clarified they opened at 10am. Other stores used to be 9am-9pm but have changed. Franklinton and Wake County now open at 11am. She stated they have more customers in the mornings than they did when they stayed open until 8:30pm. Pritchett stated that Wake County closes at 9pm, Louisburg closes at 7pm all week, Franklinton closes at 8:30pm, and Bunn's hours are 9am-9pm. She noted that Bunn's expenses were high due to this. Member Casado asked if they could get hourly sales reporting with the new system and Pritchett stated she would investigate it. Patterson noted that some of the reporting on the new system is horrible, but they are working on it. Member Houser stated Wake County's hours are 10am-9pm. Member Houser stated most stores that he knows are 9am-9pm.

Cordeiro stated the consultants were still working on the branding project and he hoped to have more information no later than next week.

Cordeiro stated he would follow up with some developers for more information.

Member Stutzman requested the branding information be sent to the ABC Board when it became available and Cordeiro stated he would email the information. Member Stutzman and Pritchett both noted that a logo was installed on the point of sale system. An image of that logo was shown to the ABC Board.

The next item on the agenda was Closed Session. Chairman Hardwick stated the ABC Board needed to go into Closed Session to discuss personnel, N.C.G.S. 143-318.11 (6).

**MOTION: TO GO INTO CLOSED SESSION TO DISCUSS PERSONNEL, NCGS 143-318.11 (6)**

The motion was made by Member Houser and was seconded by Member Norman. The ABC Board decided it would be the members of the ABC Board and Hurd in the Closed Session. The motion passed unanimously. The ABC Board entered Closed Session at 10:21am. The Board exited Closed Session at 10:55am. Action take was to approve the minutes of the Closed Session on October 4, 2019 and to approve bonuses in the amount of \$500 to the manager, \$250 to the assistant manager, and up to \$100 for all other employees at the manager's discretion, to be included in the first paycheck in December.

The meeting adjourned at 10:29am upon a motion made by Member Houser, seconded by Member Casado, and passed unanimously.